"Inequality and International Finance: Making the SDGs the Guide"

UNRISD, Friedrich-Ebert-Stiftung New York Office, UN Women, Permanent Mission of Norway, Permanent Mission of Uruguay

HLPF Side Event

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Scenario

2019 UNCTAD report shows:

➡ From 2015 onwards inequality between countries is increasing

➡ Inequality of incomes within countries: The trends of inequality in developed countries in the last four decades are clearly towards deterioration, while in developing countries and countries with transition economies the picture is mixed

➡ At the global level the share of wages in total income has steadily decreased from 60 per cent in 1980, to 54.5 per cent in 2015

➡ Correlation between inequalities and decline of government expenditure

➡ According to IMF analysis (2017), declining labour share of income going to workers is correlated with higher inequality

Transformative Fiscal Policies for the SDGs

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→ A transformative fiscal policy is possible with the support of international organizations and financial institutions, but this will require coherence between the SDGs and the everyday core operations of these institutions.

→ The ILO Centenary Declaration for the Future of Work enshrines these priorities:

Strengthening the capacities of all people to benefit from the opportunities of a changing world of work through

(i) the effective realization of gender equality in opportunities and treatment;

(ii) effective lifelong learning and quality education for all;

(iii) universal access to comprehensive and sustainable social protection; and

(iv) effective measures to support people through the transitions they will face throughout their working lives.

→ Adequate, well-functioning social protection systems are a precondition for economic development. Social protection has been shown to dramatically reduce poverty, increase education and skill development, foster participation in formal employment, and support aggregate demand.

Financing Social Protection

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➡ Costing estimates from the ILO for extending social protection in 57 low and lower-middle income countries show that such extensions would amount to only 2.1 per cent of the combined GDP of these countries , or 0.23 per cent of global GDP. To put things in perspective, currently some 10% of the world's GDP is held in tax havens

➡ The FES social protection index has shown how for 71 countries, ensuring a basic social protection floor for everyone would not require spending more than an extra 2% of GDP.

➡ expansions of social protection do not necessarily require expanding government budgets but it can also be done through reprioritization and reallocation of public spending.

Financing Social Protection

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➡ Reallocating public expenditure: e.g. Thailand significantly decreased its military spending and used the freed-up budget to implement its Universal Health Care Scheme.

➡ Increasing Tax Revenues: progressive income taxes, corporate taxes, wealth taxes and financial transaction taxes.

➡ Fighting Tax evasion and Illicit financial flaws: e.g. illicit financial flows from Africa amount to $50 billion every year

➡ Expanding contributions: Ensuring employers pay contributions for all workers, regardless of the type of working relationships, can help to address financing gaps without necessarily raising governing spending and help ensure comparable levels of protections for all workers.

➡ social security contributions by informal economy workers: transition from the informal to the formal economy

Financing social protection is not a question of feasibility but of political will and it needs to be seen as an investment, not a cost.

What is needed at international level?

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➡ Development Cooperation:

- some countries may still find it challenging to raise enough government revenue on their own in the short-term to finance social protection extensions. This is where the support of the international community comes in.
- greater use of development cooperation for social protection and a shift away from supporting small-scale/heavily targeted schemes to more comprehensive schemes with broad coverage (budget support)

➡ IFIs and Regional Development Banks:

- the international community has endorsed - through ILO standards, the SDGs - the objective of extending social protection to all. However policy advice from international financial institutions have at times created significant pressure on states to cut social spending and reduce social protection coverage.
- It will be important for international institutions to consider how to address these inconsistencies (policy coherence)

Key pillars

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➜ Strengthening social protection cannot be disconnected from a broader strategy of promoting living wages, ensuring safe and secure employment, guaranteeing freedom of association and collective bargaining, formalizing the informal economy, and supporting gender equality supporting SOCIAL DIALOGUE.

➜These measures can expand and reinforce the financing base for social protection and, together, they encompass a floor of rights and dignity for the world's people and a baseline for economic development and growth.

Thank you for your attention

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